BRITISH COLUMBIA

BC STATS Infoline

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highlights

a weekly digest of recently released British Columbia statistics

Prices

- **British Columbia's inflation rate increased 0.2% from the previous November.** Price increases from October were registered for fresh vegetables (2.1%) and coffee and tea (1.4%). These were offset by price declines for gasoline (-3.3%) and women's clothing (-2.9%). The shelter component index is near the level recorded in December 1991. The owned accommodation index, which represents a portion of the shelter component is at the same level as it was in May of 1989. *Source: Statistics Canada*

The Economy

- **Exports continued the improving trend that began in late summer.** There was a 6% rise in October over the same month last year. This reduced the year-to-date change from -8% in September to -6% in October. Gains in shipments of finished goods have provided the main impetus for export growth, with year-to-date increases in machinery and equipment (10%), consumer products (11%), and automotive products (43%). Exports of forestry products, including lumber, pulp and other commodities, fell 13% year-to-date and industrial goods, including metals and ores, decreased 15%. These developments reflect the strength of the United States economy and the weakness of Asian economies. Resource exports have been more exposed to weak Asian markets and the resulting softness in world prices. Exports of secondary manufactured products have been bolstered by the expanding United States economy, and the low exchange rate for the Canadian dollar.
  Source: Statistics Canada and BC STATS

- **Shipments of goods manufactured in British Columbia continued to improve in October.** The value of shipments increased 2.0% (seasonally adjusted) from September, to $2.9 billion. This marked the fifth straight month in which shipments from BC have risen,. Wood shipments were up for the second month, increasing 5.1%. However, pulp and paper shipments were only moderately higher (+0.4%) than in September, while food manufacturers–the third largest industry in this sector–increased their shipments 0.5%

  Nationally, shipments rose 2.1% on the strength of a 10.0% advance in the auto sector. Excluding the auto sector, shipments increased only marginally (+0.2%) in October. Three of the four Atlantic provinces posted strong gains, ranging from 6.2% in Nova Scotia to 12.7% in Newfoundland. Shipments were down in all three prairie provinces, with the largest decline occurring in Saskatchewan (-4.7%). *Source: Statistics Canada*

- **Weakness in the forest sector has been a major factor in the bumpy ride manufacturers have had during the last two years.** Shipments of wood products have been in a tailspin during most of this period, while paper shipments have remained stagnant. However, after bottoming out in May, shipments of forest products appear to be making a comeback.

  In total, other manufacturing industries have seen little growth over the last two years, but some sectors have posted strong gains. Shipments by the transportation equipment industry were 39% higher this October than two years ago, and the miscellaneous manufacturing (29.7%), machinery and equipment (29.5%), electrical and electronic equipment

Report **BC's Changing Industrial Structure**

Did you know...

Canadian households spent an average $530 on tobacco products in 1996. People living in rural areas reported spending more ($620 per household) on tobacco than urban ($510) dwellers.

(22.3%) and clothing (21.2%) industries have all increased their shipments by more than a fifth since late 1996. *Source: Statistics Canada*

Migration

- **During the third quarter of 1998, BC gained a total of only 466 persons as a result of net migration from all sources.** This compares to an increase of 13,586 in the third quarter of 1997. Both international and interprovincial migration contributed to the large decline in the third quarter, as the net inflow of people from other countries (6,668 persons) barely offset the net outflow from B.C. to other provinces (-6,202 persons). *Source: BC STATS*

Public Sector Employment

- **There were an average of 326,760 British Columbians working in the federal, provincial and local government sectors during the period from July to September.** This was marginally higher (+0.3%) than in the third quarter of 1997. Increased employment in health and social services institutions (+4.0%) and in universities, colleges and trade institutes (+0.8%) offset declines in the number of people working in federal (-2.1%), provincial (-3.3%) and local (-3.0%) offices and agencies. Crown corporations (+2.3%) also had more staff than in the third quarter of last year.
  Source: Statistics Canada, Public Institutions Division

- **There were 81 public sector employees for every 1,000 people living in the province in the third quarter.** This compares to 82 in the third quarter of 1997. Relative to their population, Ontario (80 employees per 1,000) and BC (81) had the smallest public sectors in the country. The Canadian average was 89. During the last few years, most governments have been paring down the public payroll. In BC, there were 97 public sector workers for every 1,000 residents at the beginning of the decade. The national average has fallen from 109 to 89 during this period.
  Source: Statistics Canada, Public Institutions Division

- **Within the government sector, the largest employer was health and social services (21 people per 1,000 population).** These workers, together with people employed by school boards (15) and universities, colleges and trade institutions (9) accounted for more than half of all public sector jobs. Federal (8), provincial (11) and local (9) government offices and agencies employed 28 people for every 1,000 residents of the province.
  Source: Statistics Canada, Public Institutions Division

Tourism

- **Visitor entries to Canada via BC of non-Canadians jumped 13.5% during October to 518,914.** The number of Americans entering Canada via BC rose 18.5%, and more than offset the 7.8% drop in overseas entries. The tourism sector has enjoyed strong growth in American visits in 1998, with only the months May through August registering growth under 10%, while simultaneously struggling with declines from overseas in every month except January.

  Just over 240,515 Americans visited Canada via BC on a same-day trip, up 19.6% from October 1997. This compares with 198,189 overnight visitors, a jump of 17.2%.

  Visitor entries from Europe climbed 11.2% in October, driven by a 21.0% advance in German entries. Asian entries continued their slide, falling 18.3% to 45,306. Japanese entries were off 6.9%, the smallest decline since June. *Source: Statistics Canada*

- **The number of Canadians making international trips was once again substantially lower than in 1997.** The number of Canadians returning to Canada via BC fell 26.4% to 724,046 in October, the tenth consecutive month with a double-digit decline in returns. A large part of the drop was in same-day automobile trips, down 34.3% to 458,826. Trips to overseas destinations were up 5.8% to 55,588. *Source: Statistics Canada*

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Infoline Report: British Columbia's Changing Industrial Structure

Contact: Lillian Hallin / (250) 387-0366

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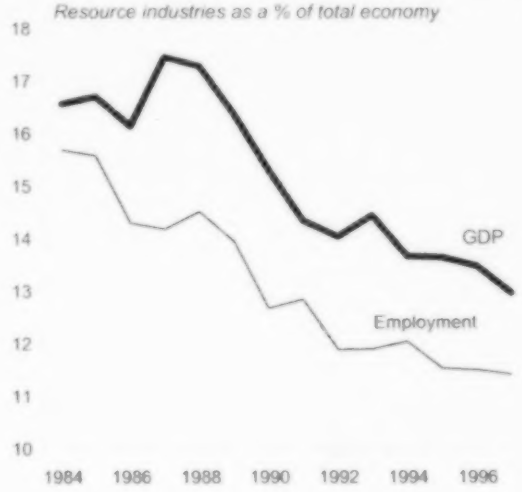
Natural resource extraction and processing industries provided the foundation upon which British Columbia's economy was first built, and are still the dominant industries in many rural areas and smaller centres of the province. However, in the larger urban centres, these industries have become less prominent, giving way to an increasingly important service sector and some fast-growing manufacturing industries which have no direct connection with natural resources.

A more liberal continental trading environment under the North America Free Trade Agreement (NAFTA) has encouraged the diversification of the British Columbia economy, as have the low Canadian exchange rate and a rapidly expanding domestic market and labour pool within the province. These forces have brought with them a greater degree of urbanization, as new manufacturing and service employment is being created in urban centres faster than forestry, mining, fishing or agricultural jobs are becoming available in the rest of the province.

This diversification indicates that the economy is maturing into a more broadly-based structure, less vulnerable to changes in international markets for natural resource commodities. However, the process still has a long way to go before the economy can be considered truly diversified. Despite a shift to other types of manufacturing, wood, pulp and paper production continue to dominate the manufacturing sector, and more than half (53%) of its total gross domestic product (GDP) is derived from forest and mineral products. This is twice the national average. Manufacturers in the other large provinces (Ontario, Quebec and Alberta) are not nearly as dependent on the processing of natural resources as BC manufacturers.

Lumber, pulp and coal are still the province's three main exports, but there has been a considerable diversification of the export mix in the 1990s. In 1997, forestry, fishing, mineral and energy products together accounted for 77% of total exports, down from 85% in 1990.

Industries which extract and process natural resources no longer dominate BC's economy



Although its manufacturing sector is still concentrated on resource-based products, British Columbia can no longer be characterized as a resource economy. In 1997, only 13% of the province's GDP[1] originated in industries involved in the extraction and processing of natural resources (agriculture, fishing, forestry, mining, and related manufacturing activities), and these industries employed[2] just 11% of the workforce. This compares to 17% of GDP, and 16% of employment, in 1984.

[1] These figures only measure the direct impact of an industry. They do not measure the indirect effect that industries have on firms supplying them with the goods and services used as inputs to production.

All GDP figures are expressed in constant (1992) dollars

[2] Employment figures do not differentiate between full-time and part-time workers. At least some of the employment growth during the period since 1984 is the result of an increase in part-time employment.

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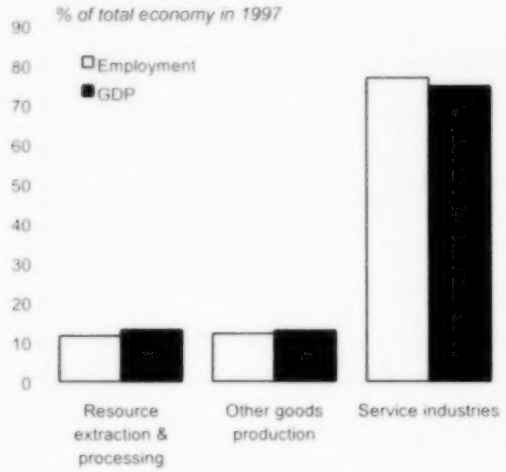
Three-quarters of British Columbia's GDP, and a similar percentage of its workforce, are in the service sector...

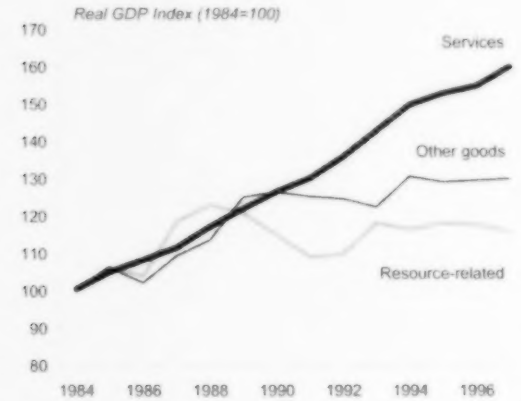


The decline in the relative size of the resource sector has been accompanied by growth in other types of goods-producing industries. These industries employed more British Columbians (221,000, compared to 209,000) than the resource sector in 1997, and they made as great a contribution (13%) to the province's GDP. This represents a significant gain for the non-resource-based goods industries, which employed 50% fewer workers than the resource sector in 1984. Not even the fast-growing service sector has recorded as strong job growth during this period. However, despite the strong employment gains, the GDP produced by these industries has not increased as much as that of the service sector.

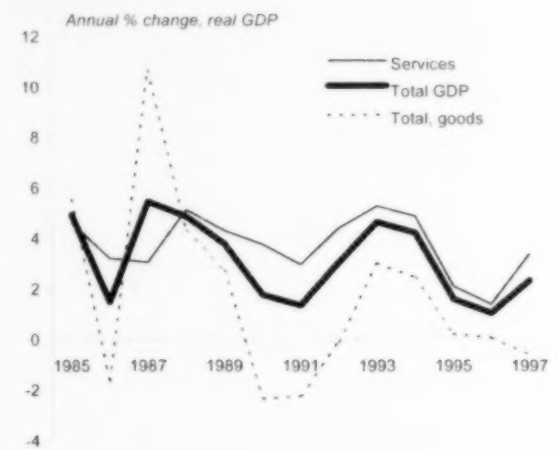
British Columbia's growing service-sector orientation is evident in the contribution made by service industries to total GDP. In 1997, just under three-quarters (74%) of the province's GDP originated in the service sector. This compares to 69% ten years earlier. BC's service sector is the second largest in the country, after Nova Scotia (where 77% of GDP originates in service-producing industries). Nationally, the contribution of the service sector to total GDP has held fairly steady at about 67% during the last ten years.

Service industries are also the main employers of British Columbians. Three out of every four workers in the province have jobs in service industries. Although wages in the service sector are sometimes lower than those in the goods industry, these workers earned just under three-quarters (73%) of all the wages and salaries in the province in 1997.

...which is now the primary engine of economic growth



Gains in the service sector have more than offset recent weakness in goods-producing industries



The service sector, which has grown steadily since 1984, is now the primary growth engine in British Columbia's economy. GDP growth in the

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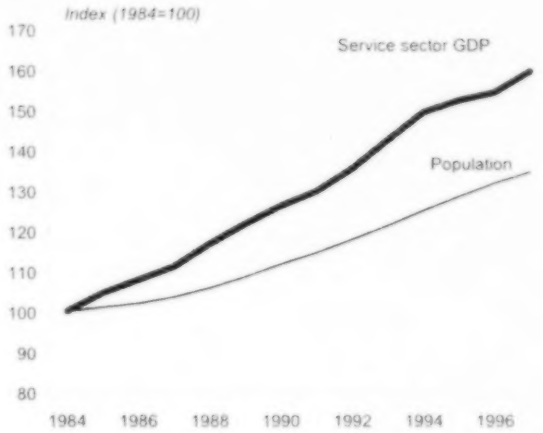
service-producing industries has outpaced that in the goods-producing sector in every year since 1988. Service industries have bolstered British Columbia's economic performance at times when the goods sector has been weak, such as in the period of slower economic growth at the beginning of this decade. More recently, the service sector has advanced even though the goods sector has slowed. As a result, the province's economy has continued to expand despite three consecutive years of little or no growth in the goods-producing industries. It is likely that services will continue to provide much of the impetus for future growth in British Columbia.

A growing population has contributed to the strength of BC's service sector, which has been bouyed by an influx of people from other provinces and from the rest of the world. Industries which are most likely to be affected by population growth include those providing education, health care and government services, as well as retailing, financial, real estate, personal and recreation services. This list is not exhaustive, but these industries generated almost half of British Columbia's total GDP in 1997.

However, the expansion of the service sector during the last thirteen years has been well in excess of the population increase. The rising prominence of the service sector in British Columbia can be attributed to a variety of other factors in addition to population growth.

Contracting out by firms of some services previously done in-house (such as engineering, legal services, computer services, accounting and personnel management) has undoubtedly contributed to the gains in the service sector. Some of the industries showing the strongest growth during the period from 1984 to 1997 are in this group. Other contributing factors include changes in consumer preferences and lifestyle changes, which have led to the development of new types of service industries in areas such as tourism, physical fitness and recreation. Rising labour force participation rates for women have created a need for services such as child care or house cleaning. In addition, the emergence

Population growth by itself does not account for the rapid gains in the province's service sector



of new high-technology industries has boosted the activity of some service-sector companies. Many other industries in the "new" economy also have a high service-sector orientation.

Growth in some service industries is related to developments in the goods-producing sector. For example, some transportation services are highly dependent on the movement of forest and mineral products to foreign markets, while business services such as customs brokerage facilitate export flows. Similarly, a new construction project could generate work for firms in a wide variety of service industries: architects and engineering consulting firms (business services), wholesalers (wholesale trade), retailers (retail trade) and trucking firms (transportation).

Despite the fact that BC's service sector dominates the overall size and growth of the economy, the goods-producing sector still plays an important role in generating growth. However, given the increasing importance of the "new economy", it is likely that service industries will provide much of the impetus for BC's future economic development.

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BC at a glance . . .

POPULATION (thousands)	Oct 1/98	% change on one year ago
BC	4,021.3	0.9
Canada	30,381.1	0.9
GDP and INCOME		
(BC - at market prices)	1997	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	109,347	3.3
GDP *($ 1992 millions)*	98,201	2.2
GDP *($ 1992 per Capita)*	24,775	0.1
Personal Disposable Income *($ 1992 per Capita)*	16,340	-2.3
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) Oct	2,925	5.1
Merchandise Exports (raw) Sep	2,217	3.0
Retail Sales (seasonally adjusted) Sep	2,765	-2.3
CONSUMER PRICE INDEX		% change on
(all items - 1992=100)	Nov '98	one year ago
BC	109.9	0.2
Canada	109.0	1.2
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Nov '98	one year ago
Labour Force - BC	2,065	1.9
Employed - BC	1,903	3.1
Unemployed - BC	162	-9.8
		Nov '97
Unemployment Rate - BC *(percent)*	7.9	8.9
Unemployment Rate - Canada *(percent)*	8.0	9.0
INTEREST RATES (percent)	Dec 16/98	Dec 17/97
Prime Business Rate	6.75	6.00
Conventional Mortgages - 1 year	6.40	6.10
- 5 year	6.80	7.05
US/CANADA EXCHANGE RATE	Dec 16/98	Dec 17/97
(avg. noon spot rate) Cdn $	1.5387	1.4228
US $ *(reciprocal of above rate)*	0.6499	0.7028
AVERAGE WEEKLY EARNINGS		% change on
(industrial aggregate - dollars)	Sep '98	one year ago
BC	619.56	1.0
Canada	603.24	0.8

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Earnings } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

Released this week by BC STATS

- Small Business Quarterly, Third Quarter 1998
- Earnings & Employment Trends, September '98
- Consumer Price Index, November 1998
- Migration Highlights, Third Quarter 1998

Next week

- Business Indicators, December 1998
- Current Statistics, December 1998

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